

IFA Submission on Code Committee Paper on Continuing Professional Training for Authorised Financial Advisers

Introduction

The Institute of Financial Advisers (IFA) welcomes the opportunity to formally comment on this paper. As for our comments on previous papers, we have been mindful of the likely overall impact of regulation of financial advisers and the potential impact on the availability of Authorised Financial Advisers (AFA) to consumers of financial advice. IFA is prepared to assist the Code Committee where possible to develop effective and cost effective Continuing Professional Development for Advisers.

Overall view

IFA supports the key objectives of the consultation paper on Continuing Professional Training, as it closely resembles the programme our members currently subscribe to.

We do however make the following suggestions in response to the specific questions:

Q1. Do you think the key objectives of the proposed CPT requirements are appropriate?

IFA agrees with the key intended objectives of the proposed requirements; however we recommend the terminology be changed to “Continuing Professional Development” rather than “Continuing Professional Training”. Training is only one style of “intervention” whereas ‘Development’ provides for a wide range of development possible under a CPD regime. It is about ensuring that Advisers continue to develop themselves throughout their career rather than just doing regular training courses.

The “Unstructured learning” referred to in the paper relates to ‘development’ so using the broader terminology would be more consistent.

Q2. Do you think that the proposed minimum number of CPT hours (20 per CPT year) is appropriate, if not, what would be an appropriate number of hours? How would you prefer this to be structured, for example 1 calendar year or more?

IFA agrees that the proposed minimum number of CPD hours is appropriate, and would also point out that members of IFA currently subscribe to more than the minimum proposed. IFA members are required to complete 60 hours over a two year period, half of which must be Structured CPD.

We would suggest that Advisers who belong to a professional body such as IFA, who have a robust CPD programme with its own processes for auditing these, should not also have to have their CPD hours audited by external auditors.

Q3. Do you think the split of Unstructured and Structured Learning is appropriate (12 of the 20 CPT hours per year are required to be met by Structured Learning) and if not, what would be appropriate?

We agree that the split seems appropriate.

Q4. Are there any other Structured or Unstructured learning categories that you would like to see included in the list provided?

We suggest that 'conferences' are included in the activity 'attendance at NQF and/or recognised professional organisations seminars/ courses/workshops/conferences relevant to the provision of financial adviser services'.

Q5. Is the proposed professional development plan and self managed recording system appropriate? If not, what would be a practical alternative?

Our view is that the proposed professional development plan and requirement to "document and review achievements" is unnecessary. It may sound good in theory but is likely to fail in practice. We would prefer the approach that AFA's are given guidelines on how to best target their development through use of a gap analysis.

We agree with the proposal for a self managed recording system. This mirrors the process IFA members currently use that works well.

Q6. On what basis do you think financial services industry bodies and professional organisations should be recognised for the purpose of CPT requirements?

IFA has a robust Continuing Professional Development programme, which all members adhere to. We feel that Advisers who belong to a professional body that has an efficient CPD programme with its own internal processes for auditing CPD, should not also be required to have their CPD hours audited by external auditors.

We suggest that IFA members should be automatically recognised as meeting the requirements of the Code in relation to CPD.

Q7. The Compulsory Training categories in Part C of the Table on page 9 and 10 are intended to ensure an appropriate spread of training activity in each year. Do you think the compulsory spread proposed is appropriate and if not, what would be appropriate?

The notion of Compulsory Training Categories could lead to unnecessary time, cost and demotivating training sessions. For example we know from experience that after a year or two there is little you can teach in many areas without repeating things. An experienced Adviser will after a while be quite conversant in many areas such as regulation, legislation and ethics.

Where appropriate Advisers should keep up to date with any changes in legislation, regulation, ethics etc as these occur. When such changes do occur they can be very complex and require many hours of CPD to be able to fully understand the implications for the adviser and their clients, so the adviser should have flexibility within the CPD regime to be able to devote the time required to understand such changes – e.g: PIE/FDR tax changes, adviser regulation, etc – without having a forced requirement to spend some of their hours doing CPD in areas that are not as relevant or timely.

‘Financial adviser business practices, processes and governance’ should not be a compulsory category as it is not relevant to all financial advisers, particularly those advisers who work in the corporate environment.

‘Client focussed professional skills’ ‘Specialist financial advice and product knowledge’ and ‘Training on current financial market environment’ activities should be left to those advisers who feel they need them rather than being compulsory for all.

Background information on the Institute of Financial Advisers

The Institute of Financial Advisers is the professional body for some 1,200 members, representing financial advisers in New Zealand. All members are individual members, not corporate members. We estimate that our members provide advice to some 200,000 New Zealanders each year, many of whom would be couples rather than individuals, with an overall client base of around 600,000.

Our members provide advice to their clients in the areas of insurance, investments, financial planning, work-based savings and insurance, retirement planning, estate planning and financial services generally. Their professional practices reflect the broad spectrum of New Zealand businesses – they operate as local SME's, are part of large regional or national dealer groups, are associated with strong financial organisations, services companies in banking, funds management, or insurance, work in employee benefits organisations, or sometimes practice as lawyers, accountants and other professional advisers.

The Institute reinforces compliance with a code of ethics and practice standards, runs a Professional Conduct Committee and Disciplinary Tribunal that are independently chaired, offers education pathways that can lead to professional designations and the attainment of internationally recognised adviser marks, maintains and ensures compliance with a continuing professional development programme, and provides networking, education, development, and business practice forums at a national and regional level for members.

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